

February 9, 2005

Gary M. Jackson
Assistant Administrator for Size Standards
409 Third Street, SW
Washington, DC, 20416

**Subject: Small Business Administration, Small Business Size Standards;
Selected Size Standards Issues (RIN 3245-ZA02)**

This letter is in response to the SBA's request for public comments on a general revision of its small business size standards published in the *Federal Register* on December 3, 2004. We commend the SBA on its attempt to simplify size standard categories and to produce a more equitable program for all companies seeking work as a small business.

1. We agree that there should be no more than 10 different size standard levels. This simplification will allow comprehensive definition of a wide range of business enterprises without making the process overly burdensome and complex.
2. We recommend that there should be consistent standards for "small business" regardless of the project's designation of an NAICS Code activity or an SBIR activity. Research and development enterprises and programs share similar small business concerns as traditional industries. There should be consistent standards regardless of activity.
3. We recommend that "small business" should be defined as "500 employees and/or \$20-\$25 million in annual revenues". A company would be allowed to meet either criteria or both. Many firms currently meeting the "small business" definition for revenues, do not have the capacity for projects being advertised for them. Many "small business" projects require staffing and financial resources beyond the traditional capabilities of firms with \$4 million in annual revenues.
4. We agree with comments made on page 6 of the Advance Notice of Proposed Rulemaking RIN 3245-AF22. The requirements and growing size of Federal contracts creates a situation in which a small business that is awarded one or two Federal contracts automatically outgrows its small business status and loses its eligibility to compete for future small business contracts. Our firm has recently experienced this. We have gone from the advantage of "small business" status to

having to compete with corporate giants before we have truly developed the competitive strength to do so. Establishing separate size standards specifically for Federal procurement, or at least Department of Defense procurement, would address the competitive burden on "mid-size" companies. A "tiered" size standard, applicable to mid-size companies, may be more appropriate.

5. We strongly believe the SBA should provide an exclusion from affiliation for venture capital companies (VCC) in size determinations for eligibility for the SBIR program. This exclusion should be provided regardless of the ownership or control of the VCCs. Venture capital investment is at the core of many research and innovation projects and firms. Jeopardizing an SBIRs "small business" eligibility by including VCCs in small business calculations will result in decreased venture capital investment and the penalization of SBIR firms who rely on venture capital for research and growth.

Thank you for the opportunity to comment on this important endeavor.

Sincerely,

Dr. Patrick K. Sullivan
CEO and President



oceanit.